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C O N F I D E N T I A L DJIBOUTI 000526

SIPDIS

STATE FOR AF, AF/E, AND AF/EPS

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SUBJECT: DJIBOUTI'S MINISTER OF COMMERCE ON UTILITY OF
PROPOSED DORALEH PORT

Classified By: AMBASSADOR MARGUERITA RAGSDALE.

REASONS 1.4 (B) AND (D).

1. (C) Minister of Commerce and Industry, Saleban Omar Oudine, sees the planned port of Doraleh as key to a prosperous economic future for Djibouti. In a March 31 meeting with Ambassador, he talked about the port and its two key components: a fuel container terminal and a Free Zone. The container terminal will require relocation of operations of oil companies currently in Djibouti, including America's Exxon-Mobil, and the construction of new fuel reservoirs. Oudine accused oil companies of having caused a great deal of environmental harm to the existing main port, which he said will need to be cleaned after repositioning at Doraleh.

2. (C) The Free Zone for commerce and industry envisioned for the port could serve land-locked Common Market for Eastern and Southern Market (COMESA) countries, according to Oudine. Uganda wants to lease space at the Free Zone in order to stock both imported and exported goods. As Djibouti is a member of both COMESA and the Africa Caribbean Pacific Group (ACP), Uganda could take advantage of Djibouti's ACP membership to export products to ACP countries, he said. Oudine also stated that Egypt is anxious to obtain private space at the Free Zone for use as a produce export point to reach the huge Ethiopian market.

3. (C) Oudine continued that China has expressed interest in establishing a car-manufacturing facility in this Free Zone. China is becoming "more aggressive" in Africa broadly, with 200 Chinese companies having organized a trade show in Ethiopia in 2003, he stated. In his view, the Chinese are targeting low-income African countries which are more interested in low-cost goods than expensive high-quality products.

4. (C) Oudine expects that Turkish and Indian businesses will also have interest in the free zone. He added that Jebel Ali in Dubai wants to decentralize its saturated market and some of its companies will need to be relocated to Djibouti in order to serve African buyers.

5. (C) Djibouti's aim, Oudine said, is to create an environment conducive to development of services because it has no natural resources upon which to rely. It does not want to be dependent on Ethiopia for revenues, for two reasons. First, Ethiopia does not share Djibouti's values and second, a history of thirty years of socialism has made its countrymen difficult to work with. Djibouti wants to develop commercial ties with other countries, Oudine continued, in order to be truly independent. To support that effort, and boost the activities of the port, he said Djibouti is drafting a commercial code which will stress Djibouti's liberal economic policies and its desire not to impose barriers to trade.

6. (C) Comment: Despite Oudine's optimism, the Port of Doraleh remains an ambitious government-led project for Djibouti. Assuming the financing hurdle is overcome, of great concern for Embassy in the short-term will be the impact of the proposed port container facility on operations of existing companies in Djibouti supplying fuel oil for domestic use, including Exxon-Mobil. We are looking at the implications of this issue, in direct consultation with Exxon-Mobil. Of great concern in the long-term will be the overall economic viability of the project, especially its Free Zone component, taking into account current and future economic trends. End comment.

RAGSDALE